2015 VCE Accounting examination report

General comments

The 2015 Accounting examination included 10 questions, and the basic layout of the examination was similar to that of previous years' examinations. However, students are reminded that although the layout of the examination may not vary much from year to year, the focus of the questions being presented may vary significantly. They are therefore reminded to revise all areas of the study design and be prepared to be assessed on their knowledge of all facets of the study.

Most students were able to complete the examination within the two-hour time frame. However, some students did not attempt every question. It is vitally important that students manage their time effectively so that they have every chance of success on all questions. The marks allocated to each question are an excellent guide to how much time should be allocated to each question.

It was evident from student responses that some students did not read the details of individual questions. Question 5 stated very clearly that all sales and purchases were made on credit, yet some students included cash sales as part of their answer. Question 7 focused on a financial indicator known as the Debt Ratio*.* Rather than commenting on changes in the gearing of the business, some students referred to debtors and the collection of debts. Careful reading of all questions is vital if students are to perform to the best of their ability. However, some students limited their chance of success by misreading questions or responding with irrelevant information.

The 2015 examination featured two 'discuss' type questions (Questions 3 and 6b.), with each being allocated six marks. Many students were well prepared for such questions and their responses were very well compiled. However, some responses didn't discuss the issue at hand. For example, if asked to discuss how to improve the collections from debtors, a student may well suggest that the owner could increase discounts on offer for prompt payment. Having stated this, the obvious negative effect of such a decision would be that the owner would be receiving less cash when the account is settled. By discussing both the benefits and limitations of such a business decision, students can prepare a full answer as a discussion and therefore maximise their score. If only one side of the issue is discussed, responses will not receive the same scores.

Specific information

This report provides sample answers or an indication of what answers may have included. Unless otherwise stated, these are not intended to be exemplary or complete responses.

The statistics in this report may be subject to rounding resulting in a total more or less than 100 per cent.

Question 1
1a.

Marks	0	1	2	3	4	5	6	7	Average
%	8	5	6	8	10	19	43	2	4.4

Party Time

General Journal

Date 2015	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
31 Jan.	Sales Returns	1 800			
	GST Clearing	180			
	Debtors Control		1 980		
	Debtor – L Capp				1 980
	Stock Control	900			
	Cost of Sales		900		
31 Jan.	Stock Loss	600			
	Stock Control		600		
31 Jan.	Wages	2 100			
	Accrued Wages		2 100		

One mark each was awarded for:

- the entries to Sales Returns and GST Clearing
- both the Debtors Control and L Capp entries
- the double entry to Stock Control and Cost of Sales.

Two marks each were awarded for:

- the double entry to Stock Loss and Stock Control
- the double entry to Wages and Accrued Wages.

Many students began with many correct entries in the General Journal. However, despite debiting the Stock Control account with $900 in the first entry, many students failed to realise that this entry has an impact on the adjustment for the Stock Loss. Therefore, many responses showed a stock gain of $300, rather than the correct entry, which was a Stock Loss of $600. Another common error was to reverse the last double entry, with Wages shown as a credit entry rather than the correct debit entry.

1b.

Marks	0	1	Average
%	40	60	0.6

GST = 0.1 × (19 000 + 5 100)
= 0.1 × 24 100
= 2 410

or

GST = (108 310 + 1 300) – (58 000 + 19 000 + 16 800 + 13 400)
= 109 610 – 107 200
= 2 410

Total of the GST column in the Cash Payments Journal	**$ 2 410**

The calculation of the GST amount could have been determined in two different ways. While the first method shown above was much quicker, it relied on students knowing that the GST would be paid on both the cash purchases of stock and the advertising expense.

1c.

Marks	0	1	2	3	Average
%	22	15	22	41	1.8

Debtors Control

Date 2015	Cross-reference	Amount	Date 2015	Cross-reference	Amount
1 Jan.	Balance	12 200	31 Jan.	Bank/Discount expense	62 500
31 Jan.	Sales/GST Clearing	82 500		Sales Returns/ GST Clearing	1 980

One mark was allocated to each of the three entries in the Debtors Control account. Full titles were required, along with the correct dollar values. However, some students simply wrote Sales, Sales Returns and Bank, rather than the full titles. GST Clearing is an important part of the cross-reference, as is Discount Expense. Other students separated the Bank and Discount expense entries. Although this was an acceptable alternative, these students often recorded $62 500 for Bank, plus an additional $500 for Discount. This effectively recorded the discount twice, which was incorrect. It is strongly recommended that students take the total from the Debtors Control column (i.e. $62 500) and record it as Bank/Discount Expense in the one entry.

1d.

Marks	0	1	2	Average
%	21	37	42	1.2

Cash Payments Journal (summary)

Date 2015	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Wages	Sundries $	GST
31 Jan.	Totals to date	–	108 310	1 300	58 000	19 000	16 800	13 400	
3 Feb.	Wages	453	6 200				4 100		
	Accrued Wages							2 100	

Many students did not complete this entry correctly. To achieve full marks, all relevant details needed to be included – the date, the details of the two entries, the cheque number, one single amount in the Bank column, the entry for the Wages and the entry for the Accrued Wages in the Sundries column.

Question 2
2a.

Marks	0	1	2	3	Average
%	28	25	17	30	1.5

Prepaid Rent Expense

Date 2015	Cross-reference	Amount	Date 2015	Cross-reference	Amount
1 Feb.	Balance	12 000	28 Feb.	Rent Expense	9 000
28 Feb.	Bank	4 000		Balance	7 000
		16 000			16 000
1 Mar.	Balance	7 000			

One mark was allocated for each of:

- the Rent Expense entry
- having completed all balancing procedures correctly

- the Bank entry.

This question was completed accurately by some students. However, other students had some of the entries in the account reversed. Some had the balances reversed, which indicated that they had forgotten that Prepaid Rent was an asset account and therefore has an opening balance on the debit side.

2b.

Marks	0	1	2	3	4	Average
%	25	19	18	17	21	1.9

Explanation: Discount Expense is an expense as it is a reduction in inflows of economic benefits. When a discount is granted to a debtor, less cash is received by the business. The discount causes a decrease in the asset Debtors Control and leads to a decrease in Owner's Equity as profit is decreased by the increase in Discount Expense.

Depreciation, on the other hand, is a consumption of part of the asset Equipment and therefore represents an outflow of economic benefits from the business. Depreciation leads to a decrease in the asset Equipment through an increase in the amount shown for the accumulated depreciation account in the Balance Sheet. It also causes a decrease in Owner's Equity as profit will be decreased when the depreciation expense is allocated in each reporting period.

Students gave a range of responses to this question. Students are reminded not to simply reproduce textbook definitions when answering questions such as this. Some students produced a detailed definition and tried to answer both parts of the question at once. This is inappropriate as discounts cause a reduction in inflows, whereas depreciation is an outflow of benefits. Grouping the two items together is not appropriate, nor is a reference to liabilities, as Discount Expense and depreciation have no impact on liability accounts.

Question 3

Marks	0	1	2	3	4	5	6	Average
%	23	16	20	17	13	8	3	2.2

Discussion: Depreciation is highly relevant when determining profit for a reporting period as it allocates part of the cost of an asset as an expense against the revenue generated by the non-current assets under the control of the business. This is highly relevant for the business owner as they will be making decisions in response to the amount of profit (or loss) that has been made for the period. Although depreciation is very relevant to decision-making, it is not a reliable dollar value as it is based on estimates. When determining the depreciation expense, both the life of the asset and its residual value are estimated. Such amounts cannot be verified by source documents as they are predictions of future events. Furthermore, there are two methods of depreciation that may be used by the owner. These two methods determine different amounts of depreciation per reporting period. The fact that both of these methods are based on estimates, that they determine different amounts of depreciation, yet both methods are acceptable for business applications, proves that depreciation cannot be a reliable amount. The choice of method may well determine a more accurate profit figure based on the revenue-earning pattern of the asset, and this is therefore highly relevant to business owners. However, it still does not change the fact that depreciation expense can never be a totally reliable amount.

This question required students to discuss the qualities of depreciation in terms of being a relevant item that is not reliable. High-scoring responses covered both aspects of the question and also included examples of the estimates involved. They also discussed the link between depreciation and decision-making with a full explanation. Low-scoring responses did not cover both relevant and reliable information. Some students discussed historical cost and agreed value, which was not relevant. Others explained in detail the difference between reducing balance and straight-line depreciation, which, again, was not the focus of the question.

Question 4
4a.

Marks	0	1	2	3	4	5	6	7	8	9	10	11	Average
%	12	10	10	8	6	6	5	6	7	8	10	14	5.5

GB Jeans

General Journal

Date 2015	Details	General Ledger Debit	General Ledger Credit	Subsidiary Ledger Debit	Subsidiary Ledger Credit
30 Apr.	Drawings	1 200			
	Wages		1 200		
30 Apr.	Prepaid Sales Revenue	2 700			
	Sales Revenue		2 700		
30 Apr.	Depreciation of Vehicle	990			
	Accumulated Depreciation of Vehicle		990		
30 Apr.	Disposal of Vehicle	35 000			
	Vehicle		35 000		
30 Apr.	Accumulated Depreciation of Vehicle	16 190			
	Disposal of Vehicle		16 190		
30 Apr.	Sundry Creditor – Kerr Motors	12 500			
	Disposal of Vehicle		12 500		
30 Apr.	Loss on Disposal of Vehicle	6 310			
	Disposal of Vehicle		6 310		
30 Apr.	Vehicle	45 000			
	GST Clearing	4 500			
	Sundry Creditor – Kerr Motors		49 500		

Marks were allocated as follows:

- One mark each for the following entries: the correcting entry, the Prepaid Sales Revenue entry, the transfer of the cost of the asset to disposal, the trade-in value to the sundry creditor and the loss on disposal entry.
- Two marks were allocated to: the entries for the depreciation of $990, the transfer of the accumulated depreciation to disposal and the purchase of the vehicle on credit from Kerr Motors.

In order to respond to this question, students needed a good knowledge of the double entry system. A variety of responses were provided, with most students scoring some of the available marks. Students are reminded to ensure that they can record events such as disposal of a non-current asset in both the General Ledger accounts and the General Journal. The processes involved are quite specific and some students did not complete all components of this process. Some entries were also reversed and, in the case of the two-mark entries, the amounts were not correctly determined.

4b.

Marks	0	1	2	3	4	Average
%	32	19	19	19	12	1.6

GB Jeans
Balance Sheet (extract) as at 30 April 2015

Current Liabilities	$	$
Cash at Bank (overdraft)	5 500	
Creditors Control	27 600	
Loan	24 000	
Prepaid Sales Revenue	800	
Sundry Creditor – Kerr Motors	37 000	
		94 900

One mark each was awarded for:

- recognising that the bank account was in overdraft and was therefore a liability
- Prepaid Sales Revenue
- Sundry Creditor – Kerr Motors
- both the Loan and the Creditors Control accounts.

Students are reminded that the number of marks allocated to a question does not necessarily indicate the number of items that are to be identified. A common error was to identify four of the five items required. Some students failed to report the bank overdraft of $5 500. Another error was in relation to the amount reported for the Prepaid Sales Revenue and the Loan.

Some students added the Sundry Creditor to the amount shown for Creditors Control. Sundry Creditors should always be reported separately in the Balance Sheet, and the full name of the Sundry Creditor should be shown.

4c.

Marks	0	1	2	3	Average
%	50	19	19	12	0.9

Outline: Accrual accounting determines an accurate profit figure by offsetting the expenses incurred in a reporting period against the revenue earned in that same period of time. Expenses may be recognised as incurred, regardless of whether or not they have been paid. Revenues may be recognised as earned, regardless of whether or not they have been received. Balance day adjustments are recorded at the end of a period in order to ensure that the accounts reflect both revenue earned and expenses incurred. When these adjustments are recorded they also have an effect on the assets in the Balance Sheet (prepaid expenses, accrued revenues, accumulated depreciation) and current liabilities (accrued expenses, prepaid revenues). Thus, accrual accounting is a method that helps determine an accurate profit figure for each reporting period and an accurate Balance Sheet at the end of each period.

This question proved to be difficult for many students. Many simply provided a rote-learned definition of profit under accrual accounting, despite the fact that the question asked specifically for three features. High-scoring responses outlined everything involved in accrual accounting and what happens on balance day. This is the essence of accrual accounting: adjusting the ledger accounts in order to determine accurate figures for both revenues and expenses. Therefore, a full answer was expected for a question asking for an outline. Students and teachers should note that full sentences outlining the features should have been given in response to this question and that dot points generally do not provide a detailed response.

Question 5
5a.

Marks	0	1	2	3	4	Average
%	25	11	13	19	32	2.2

Capital

Date 2015	Cross-reference	Amount	Date 2015	Cross-reference	Amount
30 Jul.	Drawings	45 000	1 Jul.	Balance	450 000
30 Jul.	Balance	620 000	30 Jul.	P & L Summary	120 000
				Bank	75 000
				Equipment	20 000
		665 000			665 000

This question was reasonably well answered, with some students scoring full marks.

Common errors included:

- joining the Bank and Equipment entries on the credit side of the account and using Capital contributions as a cross-reference. This is inappropriate as the name of the other account must always be used
- reversing the opening and closing balance
- omitting the P & L Summary entry or using the cross-reference Net Profit.

5b.

Marks	0	1	2	Average
%	55	26	19	0.7

GHK Supplies
Cash Flow Statement (extract) for the year ended 30 June 2015

	$	$
Cash Flows from Financing Activities		
Capital	75 000	
Drawings	(45 000)	
Net Cash provided by Financing Activities		30 000

This question proved to be challenging for some students. The cash contributed by the owner was shown in Question 5a., as were the drawings taken by the owner. These two amounts simply had to be brought down to part b. of the question. Many students included either a loan or loan repayments. However, the Balance Sheet showed that $25 000 of the long-term loan from the ATM Bank had simply been moved into the current liability classification. This does not represent a cash flow, although the owner is anticipating payments of $25 000 in the next 12 months.

5c.

Marks	0	1	2	3	4	Average
%	69	12	9	4	5	0.7

Reason 1: Payments to creditors were greater than the cost of goods sold expense as the amount owing to creditors has decreased over the last 12 months, while the stock levels remained constant. The payments to creditors decrease cash flows from operating activities, and therefore would have a greater effect than the cost of goods sold expense had on Net Profit.

Reason 2: Wages paid during the period were greater than the Wages expense incurred for the period. This is because accrued wages decreased over the period, meaning that the total amount paid would have a greater effect on cash flows from operating activities, compared to the impact of Wages expense on Net Profit.

This question proved to be quite difficult, with many students struggling to give a valid reason. Low-scoring responses referred to drawings, loan repayments and the purchase of non-current assets, all of which have no relevance to operating activities. Another common error was to refer to credit sales exceeding collections from debtors, despite the fact that the question stated that Receipts from Debtors exceeded Sales Revenue by $5 000, which some students ignored. Students are reminded to carefully read all information presented. The correct responses were evident if the information was read carefully, as both Accrued Wages and Creditors Control decreased significantly.

5d.

Marks	0	1	2	Average
%	52	30	18	0.7

Cash Flow Statement	Item	Inflow/Outflow/No effect	Amount ($)
Operating Activities	GST paid	Outflow	5 200
Investing Activities	Machinery	Outflow	42 000
Financing Activities	–	No effect	0

One mark was allocated to each of the two correct items. However, despite the business purchasing the machinery, some students thought that there was an inflow of cash involved, rather than an outflow.

The trade-in allowance does not involve a flow of cash; this was a common error made by some students.

Question 6
6a.

Marks	0	1	2	Average
%	12	22	65	1.5

Explanation: The business is now paying creditors every 26 days on average, while it is waiting 43 days (on average) for cash to be received from debtors. Cash inflows from debtors have slowed, while payments to creditors have quickened, thus leading to a cash shortage.

This question was answered well by the majority of students, with many realising that the changes in both indicators caused the cash shortage.

6b.

Marks	0	1	2	3	4	5	6	Average
%	11	11	19	24	24	8	3	2.8

Discussion: The first thing the owner should do is take full advantage of the credit terms offered by their creditors. With an average repayment period of 26 days, this indicates that some payments may in fact be paid even quicker than this time. Given that there is no discount available for early payments, there is no benefit gained by making payments so quickly. The full 30 days credit should be used and, if necessary, some payments may need to be delayed a little beyond this time. However, the owner should be wary of abusing the credit terms on offer as the relationship with suppliers is important, and they should not risk losing the supply of goods on credit.

In regard to debtors, the owner should review their policies. A discount is already offered but the owner may think about increasing the discount available to encourage prompt payment. Alternatively they could change the terms on offer; for example, 8/7, n/30. This may encourage more early payments. However, the negative of such a decision is that the business will be receiving less cash if more debtors take up the discount on offer. Part of the review would be to look at credit approval processes. Perhaps once customers show that they are going to be regular clients, credit may then be approved. The danger of this is that some customers may choose to buy elsewhere where credit is available. The issuing of invoices and follow-up procedures should also be reviewed. How quickly does the business send invoices to its debtors? Delays in this process may well explain why the collection period has increased so much. Perhaps they need to increase the number of reminders sent to debtors. This may mean that additional staff need to be employed, and this would result in an increase in expenses and may well affect the final profit result. An age analysis of debtors should also be prepared. This would provide the owner with detailed information about the trend in debtors' payments. Once this is established, they would be in a better position to introduce strategies to improve the collection of debts. However, once again, this may involve more expense, and this has to be weighed up against the potential benefits of this extra work.

Question 7

Marks	0	1	2	3	4	Average
%	30	13	16	15	26	2

Positive effect: Taking out more debt can be a positive as it would allow the owner to increase their ability to expand the business by purchasing additional assets. These assets could be used to generate more revenue, leading to a higher profit. This, in turn, could then lead to an increase in the return on the owner's investment as they did not have to contribute the additional funds required.

Negative effect: An increase in the level of debt may threaten the financial stability of the business because of the higher level of risk involved. Having more debt will lead to an increase in both loan repayments and interest expense.

Both of these items will have a negative effect on the liquidity of the business as more cash is being paid out each period. It will also have a negative effect on net profit as a higher level of interest expense will be incurred.

There were some very good explanations of the pros and cons of borrowing more funds from liabilities. However, some students confused the Debt Ratio with controlling debtors. Students and teachers are reminded that the Debt Ratio is about the gearing of the business and how much the owner has contributed compared to borrowed funds. This indicator has nothing to do with debtors. Students should ensure that they can distinguish between the Debt Ratio and Debtors Turnover and exactly what each indicator measures.

Question 8

8a.

Marks	0	1	2	3	4	5	6	Average
%	4	4	10	21	16	21	23	4

Stock Card

Product: Paddleboard Package										Cost Assignment Method: FIFO
Date 2015	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
4 Nov.	Inv. 427	210	770	161 700				210	770	161 700
30 Nov.	Inv. 1–137				200	770	154 000	10	770	7 700
30 Nov.	Memo 3				1	770	770	9	770	6 930
30 Nov.	Memo 4				9	90	810	9	680	6 120

Marks were allocated as follows:

- Two marks for the entry on 4 November. To gain the two marks available, students had to recognise that the delivery cost of $20 is added to the unit cost of $750 to determine a total cost per unit of $770.
- One mark each for the sales entry on 30 November and the Stock Loss entry on 30 November.
- Two marks for the Stock Write-down entry on 30 November. Students had to apply the lower of cost and net realisable value rule. This was based on the new selling price of $800, less the cost of the lesson provided, which was $120, ($800 – $120 = $680).

Some students scored reasonably well on this question. The most common error was the omission of the $20 delivery fee, which is a material amount that should be treated as a product cost. Some students did not attempt the Stock Write-down entry.

8b.

Marks	0	1	2	3	4	Average
%	17	5	15	11	52	2.8

General Journal

Date 2015	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
30 Nov.	Stock Loss	770			
	Stock Control		770		
30 Nov.	Stock Write-down	810			
	Stock Control		810		

The entries in the Stock Card should have been used by students to create these two General Journal entries. This question was generally answered well by students.

8c.

Marks	0	1	2	3	4	Average
%	27	14	14	18	26	2

GST Clearing

Date 2015	Cross-reference	Amount	Date 2015	Cross-reference	Amount
30 Nov.	Creditors Control	16 170	30 Nov.	Debtors Control	28 000
30 Nov.	Bank	1 560			
30 Nov.	Bank	9 750			

One mark was allocated to each of the four entries shown above. This question provoked a range of responses. Some students had difficulty determining the GST charged on Credit Sales, while others omitted the GST charged by creditors, despite the fact that this was shown on the invoice provided. When preparing any General Ledger account, students are advised that correct titles should be used at all times when making entries in the Cross-reference column.

Question 9

9a.

Marks	0	1	2	3	4	5	6	7	Average
%	17	8	12	14	16	15	12	6	3.3

Terry's Timber

Budgeted Cash Flow Statement (extract) for the month ending 31 October 2015

	$	$
Estimated Cash Flows from Operating Activities		
Receipts from Debtors	52 000	
Wages	(23 200)	
Interest Paid	(2 700)	
Cash Purchases of Stock	(18 000)	
Rent	(6 400)	
GST Paid	(2 440)	
Estimated Net Cash Flows from Operating Activities		(740)

Each item in the Cash Flow Statement was allocated one mark, with the exception of Wages, which was allocated two marks. The reporting of Wages could have been done in two ways. The total cash outflow for Wages was expected to be $23 200, as shown above. However, some students elected to report Wages of $21 500 and Accrued Wages of $1 700. This was acceptable, and such an approach would have been awarded two marks. Students should be aware that correct titles should be used in accounting reports and therefore Cash Purchases of Stock is a correct title, whereas Stock Control is not. Receipts from Debtors is correct, whereas Debtors Control is not. Students are advised to use descriptive titles, rather than the names of particular General Ledger accounts. The inclusion of 'alien items' continues to be of concern; credit sales, depreciation, loan repayments and drawings do not belong in the Operating section of a Cash Flow Statement.

9b.

Marks	0	1	2	3	4	5	Average
%	31	17	15	13	13	12	2

Terry's Timber

Budgeted Income Statement for the month ending 31 October 2015

	$	$
Revenue		
Sales		50 000
Less Cost of Sales		25 000
Gross Profit		25 000
Less Other Expenses		
Wages	23 400	
Interest Expense	450	
Depreciation of Machinery	900	
Rent Expense	2 000	26 750
Net loss		(1 750)

Many students struggled with this question. One mark was awarded for correctly reporting the gross profit of the business, which included showing Sales and Cost of Sales. One mark was then available for each of the four expense items. It appears that some students were confused between the Cash Flow Statement and the Income Statement, and were unsure which items were to be included in the two reports. GST was a common alien item included in the Income Statement. Another common error was including all of the three months of Rent paid, despite the report only being for one month. Depreciation for 12 months, rather than one month, was also a common error.

9c.

Marks	0	1	2	Average
%	21	46	32	1.1

Benefit 1: More frequent budgeting allows for the detection of unfavourable trends, allowing management the opportunity to make decisions to take corrective action to improve performance. Yearly budgeting does not provide this opportunity as it is too late at the end of the year to rectify such situations.

Benefit 2: Monthly budgeting provides management with information in relation to seasonal trends. The busier months and the quiet months can both be identified and this will assist management with their planning, while also ensuring more accurate budget predictions monthly, rather than yearly.

There were some very good responses to this question. High-scoring responses focused on the timeliness of information when reports are prepared monthly, rather than yearly. More regular feedback, timely decision-making, better planning and seasonal information all featured prominently in high-scoring responses.

Question 10

Marks	0	1	2	3	4	Average
%	27	22	23	17	11	1.6

Explanation: The Working Capital Ratio is expected to decrease significantly. This may be caused by the large cash outlay required to complete the computer upgrade. If the new computers are going to be bought on credit, a significant increase in creditors would be expected, which would also explain the decrease in Working Capital. With the move to smaller premises and to online shopping, it would be reasonable to expect the average level of stock to decrease. This could also explain the decrease in the Working Capital Ratio. It would also explain why the Stock Turnover is expected to increase so dramatically. With a lower level of stock on hand and the level of sales not expected to change, the business is expected to take 21 days fewer to turn their stock into sales. This is a significant improvement, but it comes about because they are simply going to carry far less stock during the period. The move to smaller premises is also expected to reduce costs. This will have a positive effect on Net Profit as less Rent Expense will be incurred, and this will therefore lead to an increase in the return on assets for the year.

There were a range of responses to this question, with high-scoring responses making a link to Working Capital Ratio, Stock Turnover and Return on Assets. Most students realised that moving to online shopping would probably mean that the business would require less stock to be kept on hand. Some students indicated that the changes meant that the business would sell more goods. However, the question stated that the business hopes to be able to maintain existing sales levels, not increase them. Some low-scoring responses simply defined each of the three financial indicators, without making any links to the information provided.